

All we need is trust: Conditions are not a means of punishment

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Let us go back to spring 2010. Pressure rose against the European institutions to send a rescue package to Greece, which had discovered shortly before to be unable to re-finance its debt in the markets. The German government (in a strange post-election turmoil) showed some resistance (rightly) based on Art. 125 (1) TFEU (Art. 136 (3) TFEU did not yet exist). Politics, however, decided to “save Greece”, and the first ‘umbrella’ was opened: € 110bn from Eurozone Member States and the IMF, of which € 22.4bn from Germany.

These figures set aside (which may appear modest to what happened later), ‘rescuing Greece’ also meant taking responsibility – for the future repayment of the newly warranted debt and above all for the conditions imposed for the Eurozone’s guarantees. It is here that the problems begin. Had the EU not stepped in, Greece would have gone bankrupt and some French and German banks would have faced deep trouble (which is why there was political action in the end), but the conditions would have been imposed upon Greece by the private sector. No extremist force in Greece could have blamed other Member States or their leaders for these conditions. No burning of German flags or Merkel puppets, no xenophobe coalition of the extreme left and the extreme right.

When there is full responsibility of Member States for the soundness of their budgets and their way of government, the lending States have no strong means to induce the necessary institutional reforms for structural change. The Greek case is such a difficult one because the effects of the financial crisis mix with deeply rooted structural problems. What is most needed to relaunch sound integration of that country into the EU and also the Eurozone is mutual trust, which was lost during seven years of muddling through without the expected progress. Such trust is not promoted by proposals such as declaring the Greek debt “odious debts”, let alone that such assessment is flawed under international law. There is no doubt about the Greek failure; conditions, however, are not to punish a Member State in debt, but to assure that it will be a prosperous partner in future.

In this respect, Armin von Bogdandy’s and Michael Ioannidis’ proposals are highly welcome, as are any proposals to strengthen the Greek State as a strong partner in the EU. For some reasons, highly qualified Greeks sought their future rather outside than within their country. The element of external control inherent to the proposal is indispensable – if internal reforms did not advance for seven years. And, above all, the proposal is better than any alternative. It is better to stretch the content of Article 197 TFEU than incurring an unavoidable disaster. No doubt, there will be no fourth rescue package – next time, the country would be out of the Euro with nearly all the money lost for the lenders/guarantors. Better to try something else...